

## CHAPTER 15

### HOUSING ASSISTANCE FUND PROGRAM

**265—15.1(16) General.** The housing assistance fund program is a flexible program of financial assistance dedicated to a variety of housing projects, programs and activities which contribute to the goal of providing decent, standard, affordable housing to low- and moderate-income Iowans.

**265—15.2(16) Goals and objectives.** The primary goal of this program is the development and maintenance of decent, safe, affordable housing and the creation of a suitable living environment for low- and moderate-income families. The program will address the following objectives:

1. Providing financial assistance for creative, innovative housing projects;
2. Being responsive to the housing needs in the area served by an eligible applicant;
3. Being responsive to projects which cost-effectively and directly impact these needs consistent with local priorities;
4. Structuring of financial assistance in a flexible manner, matching project circumstances to form and amount of financial support available from the program;
5. Providing for the optimal use of other public and private housing assistance funds so as to maximize the leveraging of other resources and minimize the need for program funds.

**265—15.3(16) Source of funds.** The housing assistance fund program shall provide funding for projects from certain moneys allocated to several of the funds administered by the Iowa finance authority in the amounts set by the authority for the purposes of those funds including the housing program fund (Iowa Code section 16.40), the surplus moneys loan and grant fund (Iowa Code section 16.10), the housing trust fund (Iowa Code section 16.100), a portion of the revolving fund (Iowa Code section 15.287) and the community and rural development loan program account. It is the intent of the authority to administer funding available through these various funds for use in supporting eligible projects and activities as defined in 265—15.7(16) of these rules and in the statutes creating these funds, thereby avoiding the need to create, and the confusion caused by several smaller, single-purpose, minimally funded assistance programs. The authority may specify one or more types of projects eligible for funding at any given time. The authority may also specify the types of financial assistance that will be offered in accord with these rules and the controlling statutes.

**265—15.4(16) Definitions.** When used in this chapter, unless context otherwise requires:

“*Adjusted income*” means “adjusted income” as defined in 265—subrule 1.8(1).

“*Application on behalf of*” means any application submitted by one eligible applicant requesting funds for one or more other eligible applicants.

“*Costs*” means the cost of acquisition, construction, or both including the cost of acquisition of all land, rights-of-way, property rights, easements, franchise rights, and interests required for acquisition, construction, or both. It also means the cost of demolishing or removing structures on acquired land, the cost of access roads to private property, including the cost of land or easements, equipment, financing charges, and interest prior to and during construction. Cost also means the cost of engineering, legal expenses, plans, specifications, surveys, estimates of cost and revenues, as well as other expenses incidental to determining the feasibility or practicability of acquiring or constructing a project. It also means other expenses incidental to the acquisition or construction of the project, the financing of the acquisition or construction, including the amount authorized in the resolution of the authority providing for the issuance of bonds, to be paid into any special funds from the proceeds of the bonds, the financing of the placing of a project in operation, and the expense of other eligible project activities.

“*Disabled*” means unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment.

“*Elderly families*” means families of low or moderate income where the head of the household or the head’s spouse is at least 62 years of age or older, or the surviving member of any such tenant family.

*“Eligible applicant”* means any city, county, housing agency, developer, or housing sponsor (as defined in Iowa Code section 16.1(20)) within the state of Iowa.

*“Equity”* means funds or other interest contributed to the project by an applicant, other than loans or extensions of credit to the extent such funds or interests are not encumbered by liens, mortgages, or other liabilities.

*“Families”* includes but is not limited to:

1. Families consisting of a single adult person who is primarily responsible for the person’s own support; and
2. Two or more persons living together who are at least 62 years of age, are disabled, or are handicapped, or one or more such individuals living with another person who is essential to such individual’s care or well-being.

*“Grants”* means funds received from the housing assistance fund program which do not have to be repaid and loans which may be forgiven or upon which repayment may be deferred.

*“Handicapped”* means having a physical or mental impairment which is expected to be of long-continued and indefinite duration, substantially impedes the ability to live independently, and is of a nature that the ability to live independently could be improved by more suitable housing conditions.

*“Historic sites”* means any site listed on the National Register of Historic Sites or any other site deemed to have historical significance by the department of cultural affairs, state historical society of Iowa.

*“Homeless”* means an individual or family that lacks a fixed, regular and adequate nighttime residence; or an individual or family that has a primary residence that is:

1. A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);
2. An institution that provides a temporary residence for individuals intended to be institutionalized; or
3. A public or private place not designed for, or ordinarily used as a regular sleeping accommodation for human beings. This term does not include any individual imprisoned or otherwise detained under an Act of Congress or a state law.

*“Homeless shelter”* means any entity meeting one of the following definitions:

1. Any facility with overnight sleeping accommodations, the primary purpose of which is to provide temporary shelter for the homeless in general or for specific populations of the homeless; and
2. Any facility that provides housing and supportive services to homeless persons with the purpose of facilitating the movement of homeless individuals to independent living within a reasonable amount of time, generally not to exceed 18 continuous months for any homeless individual.

*“Housing program”* means any work or undertaking of new construction or rehabilitation of one or more housing units, or the acquisition of existing residential structures, for the provision of housing, which is financed pursuant to the provisions of these rules for the primary purpose of providing housing for low- or moderate-income families. A housing program may include housing for other economic groups as part of an overall plan to develop new or rehabilitated communities or neighborhoods, where housing low- or moderate-income families is a primary goal. A housing program may include any buildings, land, equipment, facilities, or other real or personal property which is necessary or convenient in connection with the provision of housing, including, but not limited to, streets, sewers, utilities, parks, site preparation, landscaping, and other nonhousing facilities, such as administrative, community, health, recreational, educational, and commercial facilities, as the authority determines to be necessary or convenient in relation to the purposes of this chapter.

*“Housing support services”* means services provided to residents of an eligible project which may include:

1. Medical and psychological counseling;
2. Financial counseling;
3. Employment counseling;
4. Nutritional counseling;

5. Housing and placement counseling;
6. Assistance in identifying and applying for other services, benefits or programs;
7. Services such as child care and transportation.

*“Joint application”* means an application submitted by two or more eligible applicants for a single project.

*“Local effort”* or *“local contributing effort”* means contributions provided by public or private sources which are used to directly finance a portion of the costs of a project as described in the proposal including, but not limited to, the type of contribution listed in rule 265—1.9(16).

*“Lower-income families”* means families whose incomes do not exceed 80 percent of the median income for the area with adjustments for the size of the family or other adjustments necessary due to unusual prevailing conditions in the area, and includes, but is not limited to, very low-income families.

*“Low- or moderate-income families”* means families who cannot afford to pay enough to cause private enterprise in their locality to build an adequate supply of decent, safe, and sanitary dwellings for their use, and also includes, but is not limited to, (1) elderly families, families in which one or more persons are handicapped or disabled, lower-income families and very low-income families; and (2) families purchasing or renting qualified residential housing whose incomes do not exceed 100 percent of the median income for the area with adjustments for the size of the family or other adjustments necessary due to unusual prevailing conditions in the area.

*“Median income for the area”* means the greater of the statewide, metropolitan statistical area or county median income as contained in the latest United States Census Bureau publications or as determined by the U.S. Department of Housing and Urban Development.

*“Project”* means a program or activity funded under the housing assistance fund program.

*“Recipient”* means any eligible applicant or other party receiving funds under this chapter and with whom the authority will execute a contract.

*“Very low-income families”* means families whose incomes do not exceed 50 percent of the median income for the area, with adjustments for the size of the family or other adjustments necessary due to unusual prevailing conditions in the area.

**265—15.5(16) Eligible applicants.** All incorporated cities, counties, housing agencies, developers and other housing sponsors, and joint ventures of the same are eligible to propose projects, and to receive financial assistance through the housing assistance fund program. The authority will determine the eligibility of each applicant and will be responsible for ensuring that the source of moneys proposed for the applicant’s project meets the provisions of and is consistent with the applicable enabling law.

**265—15.6(16) Eligible locations.** Provided that they are otherwise eligible, projects located and operated within the state of Iowa are eligible to receive assistance under the housing assistance fund program. While some sources of moneys used within the housing assistance fund program require certain geographic targeting, the authority will make, control and record such allocations and will account for program funds in such a way so as to document compliance with legislative requirements.

**265—15.7(16) Eligible projects.** It is the authority’s intent to allow maximum discretion and flexibility to be exercised by eligible applicants in the design, packaging and structuring of a housing project.

**15.7(1)** The following types of projects generally will be eligible:

- a. Group shelters for the homeless.
- b. Home maintenance and repair programs.
- c. Acquisition, rehabilitation and construction of single-family and multifamily rental properties.
- d. Home ownership programs.

**15.7(2)** Eligible projects include, but are not necessarily limited to, the following:

- a. Acquisition in whole or in part by an eligible applicant by purchase, lease, donation, or otherwise, of real property (including air rights, water rights, rights-of-way, easements, and other interests therein) for any housing purpose, subject to the limitations of these rules;
- b. Acquisition, construction, reconstruction, rehabilitation, or installation of housing facilities and improvements;
- c. Clearance, demolition, and removal of buildings and improvements, including movement of structures to other sites;
- d. Special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;
- e. Disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to this rule or its retention for public purposes;
- f. Provision of housing support services including, but not limited to, those concerned with employment, crime prevention, child care, health, drug abuse, education, energy conservation, welfare or recreation needs;
- g. Payment of the nonfederal share required in connection with a federal grant-in-aid program undertaken as part of activities assisted under this program;
- h. Relocation payments and assistance for displaced families, businesses, and organizations when determined by the authority to be appropriate;
- i. Financing the rehabilitation of privately owned buildings and improvements, low-income public housing and other publicly owned residential buildings and improvements, and publicly owned nonresidential buildings and improvements for conversion to residential use;
- j. Rehabilitation, preservation and restoration of historic housing properties, whether publicly or privately owned for use as housing;
- k. Acquisition, construction, reconstruction, rehabilitation or installation of distribution or collection lines and facilities of on-site utilities, including the placing underground of distribution or collection lines and facilities;
- l. Subsidies enabling low- and moderate-income families to buy, rent, repair, or otherwise make livable housing units, especially if threatened with displacement;
- m. The construction of new permanent housing structures and programs that subsidize or finance such construction are eligible. For the purpose of this paragraph, eligible activities in support of the new construction of low- and moderate-income housing, include clearance, site assembling, site improvements and public improvements.
- n. Such other projects which address the goals stated in 265—15.2(16), which meet program criteria and which are approved by the authority.

**265—15.8(16) Ineligible projects.** The general rule is that any project that is not authorized under the provisions of rule 265—15.7(16) is ineligible to be carried out with program funds. The following list serves as a general guide for, but does not constitute a complete list of, ineligible projects.

**15.8(1) Purchase of equipment.** The purchase of equipment for use in the construction of housing with program funds is generally ineligible.

**15.8(2) Operating and maintenance expenses.** The general rule is that any expense associated with operating and maintaining housing facilities (except where home maintenance is the primary purpose of the project) or any expense associated with providing services not assisted with program funds is ineligible for assistance. Payment of salaries for staff, utility costs, and insurance expenses are examples of ineligible activities.

**15.8(3) Public service expenses.** Expenses associated with provision of any public service which is not eligible for assistance.

**15.8(4) General government expenses.** Except as otherwise specifically authorized in these rules, expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance under this part.

**15.8(5) Political activities.** No expenditure may be made for the use of equipment or premises for political purposes, sponsoring or conducting candidates' meetings, engaging in voter registration activity or voter transportation, or other partisan political activities.

**265—15.9(16) Project beneficiaries.**

**15.9(1) General rule.** All projects assisted by the housing assistance fund program must demonstrate and provide direct benefits to low- and moderate-income families with 50 percent or more of those benefiting from an assisted project being low- and moderate-income families.

**15.9(2) Duration of benefit and compliance.** Recipients shall comply with the terms of the financial assistance award for a period equal to the length of the loan or, for assistance other than a loan, a period equal to the benefit of the assistance if it was a loan.

**265—15.10(16) Basic requirements for all applications.** Projects proposed for assistance under the housing assistance fund program must meet the following basic requirements before being considered further:

1. Fifty percent or more of those benefiting must be considered low and moderate income;
2. Awards may only be used for an eligible project;
3. Applicant must demonstrate the ability and capacity to implement the proposed project and to comply with all applicable law, rules, and regulations;
4. Applicant must demonstrate the feasibility of completing the proposed project with the funds requested and other available funds within a reasonable time;
5. Project activities funded under this program may not have been initiated prior to action on the proposal by the authority;
6. The eligible applicant must show it has engaged in a process to identify local housing needs, including the needs of low- and moderate-income persons, and the activities to be undertaken to meet those needs.

**265—15.11(16) Application procedure.**

1. The authority will accept applications when fund balances permit. All applications will be in a form determined by and provided by the authority. Application instructions and necessary forms will be available upon request to the authority.
2. Applicants will be given 90 days in which to submit an application. The authority may shorten the 90-day period prior to announcing a funding cycle in order to meet market conditions, construction season demands or for other good cause as determined by the authority. Applications received when funds are not available will be held over and considered for funding at a later date. The authority may reject or hold over any application which is incomplete or inadequately documented.
3. Review and consideration of applications will be performed by authority personnel after consultation, if appropriate, with other agencies with program responsibility in housing-related areas. Authority staff will make recommendations to the board which will make all funding decisions. Recommendations may be made to approve, modify, table, defer, reject or disapprove applications. During the process of review of applications, authority personnel may determine that an otherwise meritorious project needs to be restructured, modified or resubmitted in order to better meet the authority's fund source requirement. In such circumstances, the authority shall advise the applicant and may consult with, negotiate with, or otherwise assist the applicant in achieving the recommended changes.
4. Those applications with the highest rankings will be funded, to the extent that program funding is available. All successful applicants shall be notified and invited to a conference with authority personnel to outline procedures to be followed as recipients.

**265—15.12(16) Contents of application.** In order to be rated each application must address the threshold criteria set out in subrule 15.13(1) and demonstrate that each criterion has been satisfied. In addition, each application must contain the following items:

1. Description of local need and a description of how the need was determined;
2. Project description must include the legal description, amount of funding requested, use of funds, project's impact on local need, project implementation schedule, and notification as to whether the project is located in a floodplain or is a historical site;
3. Description of amount and timing of any repayment of program funds;
4. Percent of project serving low- and moderate-income families, including method of determination;
5. Description and documentation of applicant financial contribution, including the amount, source and type of contribution;
6. Description of other financial contribution (i.e., assistance from other housing programs) assisting the project, including the amount, source, type of assistance and availability;
7. Project budget;
8. Description of funds proposed from the housing assistance fund program, including the amount requested, the form of financial assistance, the terms and conditions proposed, and a tentative schedule for use of funds.

## **265—15.13(16) Application rating criteria.**

**15.13(1) *Threshold criteria.*** In order to be considered for financial assistance, each application must demonstrate that:

- a. At least 5 percent of the total costs will be contributed by the applicant;
- b. At least 25 percent of the total costs, including applicant's contribution and borrowed funds, will be in the form of a local commitment;
- c. The city and county in which the project is located endorse or do not oppose the project;
- d. At least 50 percent of total project costs will directly benefit low- and moderate-income families;
- e. The project is not inconsistent with local laws, codes, and plans;
- f. The project must be completed and in use within 36 months after the authority's approval of the application.

Applications which fail to meet these threshold criteria will be rejected.

**15.13(2) *Competitive rating criteria.*** Applications which meet or exceed all the threshold criteria will then be rated according to the following criteria:

- a. Percent of applicant financial participation—10 points.
- b. Percent of private financial participation—10 points.
- c. Percent of financial participation through other housing assistance programs including, but not limited to, the federal Low Income Housing Tax Credit—20 points.
- d. Total percent of local commitment—10 points.
- e. Ratio of housing units for very low- and lower-income families compared to total units in the project—20 points.
- f. Ratio of housing units for low- and moderate-income families, including handicapped, compared to total units in the project—10 points.
- g. Magnitude of local need including, but not limited to, vacancy rates and ratio of subsidized housing to nonsubsidized housing—20 points.
- h. Authority contribution per low- and moderate-income family benefited—10 points.
- i. Likelihood of repayment to the authority—10 points.
- j. Term in years, interest rate and security for authority assistance—20 points.
- k. Extent to which housing support services will be provided to low- and moderate-income families—5 points.
- l. Applicant's experience with low- and moderate-income housing programs—5 points.
- m. Applicant's ability to monitor and report results of the project, including monitoring and reporting of job creation or other favorable economic impact—10 points.

**265—15.14(16) Financial assistance awards.**

**15.14(1) *Form of awards.*** The authority may consider providing financial assistance in a variety of forms including:

- a. Grants
- b. Forgivable loans
- c. Interest subsidies
- d. Equity-type investments
- e. Loan guarantees or insurance
- f. Loans
- g. Other assistance as approved by the authority
- h. Combinations of “a” through “g.”

**15.14(2) *Amount and location of awards.*** No single project shall receive more than the lesser of \$400,000 or 25 percent of the funds available from the housing assistance fund program at any given time. No more than 25 percent of the funds available from the housing assistance fund program at any given time shall be for projects located in the same city or county unless no other project qualifies for funding.

**15.14(3) *Negotiation of awards.*** The authority reserves the right to negotiate the form, amount, terms and conditions of any award offered to an eligible applicant. The authority shall also determine the mechanism, timing, documentation for and other factors relating to the distribution of awarded funds.

**15.14(4) *Verification of data.*** Applications which rate high enough to be funded will be reviewed to verify representations made in the applications. Such verification may include independent research and site visits. In cases where misrepresentations, inaccuracies, omissions, or errors are found, the authority may reject the application or rerate the application.

**265—15.15(16) Contracts and agreements.** Upon selection of an application for funding, the authority will prepare a contract or agreement that may include certifications and assurances, promissory notes, mortgages and other security instruments, title guaranty requirements, servicing requirements, and other items to be executed by the applicant and other parties participating in the project.

**15.15(1)** Certain projects may require that permits or clearances be obtained from state or federal agencies prior to proceeding with the project. Awards may be conditioned upon the timely completion of such requirements.

**15.15(2)** All contracts and agreements for financial assistance under these rules will require one or more audits of project expenditures in accord with this rule and subrule 15.16(4). Audits may be required periodically or on a one-time basis as determined by the authority. Recipients shall be responsible for the procurement of audit services and for the payment of audit costs. Audits may be performed by the state auditor’s office or by a qualified independent auditor approved by the authority.

**15.15(3)** Amendments to contracts and agreements. Any substantive change to a funded project will be considered an amendment. Substantive changes would include time extensions, budget revisions, and significant alterations of contract or agreement activities that will change the scope, location, objectives, or scale of the approved project.

All amendments must be requested in writing and no amendment will be valid until approved in writing by the authority. The project, as amended, must rate high enough to be funded under the funding cycle.

**265—15.16(16) Administrative requirements.**

**15.16(1) *Local contribution.*** Local contribution is defined in and shall be determined in accord with rule 265—1.9(16).

**15.16(2) *Financial management standards.*** All recipients shall comply with applicable law, regulations and rules in managing project funds.

**15.16(3) *Allowable costs.*** The authority will determine allowable costs and shall be responsible for clarifications.

**15.16(4) *Audit requirements.*** Recipients that are local governments which receive more than \$100,000 in federal financial assistance in any fiscal year may be required to comply with the provisions of the Single Audit Act of 1984 (P.L. 98-502) and OMB Circular A-128, "Audits of State and Local Governments," for that fiscal year. In addition, recipients receiving between \$25,000 and \$100,000 in assistance may choose to comply with the Single Audit Act. In such cases, the local government must have an annual audit of all its financial statements. The Act should be consulted for additional compliance requirements.

Recipients which determine that the Single Audit Act of 1984 does not apply to their situation shall have audits prepared in accordance with state laws and regulations. All audits shall commence and be completed within the periods specified in the contract.

Variations of these requirements shall only be allowed with prior written approval from the authority. Copies of the audit report shall be transmitted to the authority and to other agencies as required.

**15.16(5) *Program income.*** Program income, as determined by the authority, shall be committed to the project.

**15.16(6) *Request for funds.*** Recipients shall submit requests for funds in the manner and on forms prescribed by the authority.

**15.16(7) *Record keeping and retention.*** Financial records, support documents, statistical records, and all other records pertinent to the program shall be retained by the recipient in accordance with the following:

a. Records for any displaced person shall be retained for three years after that person has received final payment;

b. Records pertaining to each real property acquisition shall be retained for three years after settlement of the acquisition, or until disposition of the applicable relocation records, whichever is later;

c. The authority shall have access to all books, accounts, documents, records and other property belonging to or in use by recipients pertaining to the receipt of assistance under these rules.

**15.16(8) *Performance reports and review.*** Recipients shall submit performance reports to the authority as required. The reports will assess the use of funds in accordance with program objectives, the progress of program activities, and compliance with other program requirements.

The authority may perform any reviews or field inspections it deems necessary to ensure program compliance, including review of performance reports. When problems of compliance are noted, the authority may require remedial actions to be taken. Failure to take remedial action may result in the authority's seeking all available equitable or legal relief.

**15.16(9) *Closeouts.*** Upon completion of the project, recipients will initiate closeout in accordance with procedures specified by the authority in the contract.

**15.16(10) *Compliance with federal and state laws and regulations.*** All recipients shall comply with all applicable law and implementing regulations, including these rules. Recipients shall also comply with all provisions of the Iowa Code governing activities performed under this program.

**15.16(11) *Remedies for noncompliance.*** If the authority finds that a recipient is not in compliance with its requirements under this program, the authority may exercise all legal and equitable remedies to ensure compliance or recover program funds. Reasons for a finding of noncompliance include, but are not limited to, the recipient's use of program funds for activities not described in the application, the recipient's failure to complete approved activities in a timely manner, the recipient's failure to comply with any applicable state or federal rules or regulations, or the recipient's lack of ability and capacity to carry out the approved project in an efficient and timely manner.

**15.16(12) *Servicing.*** The authority may assign the servicing of any project funded under this program. The authority may also require a servicer be in place at the time an award is made or a contract is entered into.

These rules are intended to implement Iowa Code sections 15.283 to 15.287, 16.5, 16.10, 16.40, and 16.100.

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